

# ***SPRINT PLAN***

## ***COSTING STANDARD FOR DETERMINING HIGH COST AREAS***

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- The Benchmark Cost Model Should be the Basis for Measuring the Costs of Providing Services for USF Purposes.
  - The BCM is a Reasonable Proxy for the Economic Costs of Serving a Particular Area
- Advantages of the BCM
  - Based on Objective, Verifiable, Public Data and Accepted Network Engineering Standards
    - Cost Results not Distorted by Historic Accounting and Depreciation Policies
    - Does Not Require Arbitrary Allocations or Dissagregations of Existing Investment to Smaller Geographic Units
    - Avoids Controversy Over Whether Embedded Costs Represent “Efficient” or “Inefficient” Management



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### **Advantages of the BCM (continued)**

- **Competitively Neutral**
  - Subsidy funding (per subscriber) will be the Same for all Service Providers
  - The BCM is a Proxy for the Costs that Any Efficient Provider would Incur in Providing Service to a Particular Area
    - Subsidy Amount Not biased by an Incumbent's Embedded Costs
    - Provides Incentive for Competitive Entry into High Cost Areas
    - Provides Incentive for Efficiency
    - Provides Incentive for Innovation



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### **Advantages of the BCM (continued)**

- **Disaggregation of Costs By Census Block Group (CBG)**
  - More Precisely Identifies Truly High Cost Areas
  - Avoids Competitive distortions Inherent in Using Higher Levels of Aggregation (e.g. exchange or study area) for USF Purposes
    - Basing Subsidies on Averaged Costs will not Provide New Entrants Sufficient Incentives to Serve Those Areas Where Costs Exceed the Average (potentially leading to “cream-skimming”)



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## ***DETERMINATION OF THE AMOUNT OF SUBSIDY***

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- The Amount of Subsidy Provided for a CBG Would be the Difference Between
  - The National Benchmark Price for Basic Residential Service (i.e., the maximum rate determined to be “reasonable” and “affordable”), and the
  - BCM-Calculated Cost For that CBG
- The National Benchmark Price Should be Set at Least at the National Average Rate for Basic Residential Service in Urban areas, Including the Existing Subscriber Line Charge.
- State USF Plans Could Use the Same Methodology to the Extent State Repricing Does Not Resolve All State-Specific Subsidies
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## ***DETERMINATION OF THE AMOUNT OF SUBSIDY: EXAMPLE***

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Assume:

### Federal Subsidy (per Access Line)

- |                            |      |
|----------------------------|------|
| 1. BCM Cost                | \$30 |
| 2. FCC Benchmark Price     | \$20 |
| 3. Federal Subsidy (L1-L2) | \$10 |

### State Subsidy (Per Access Line)

- |                          |      |
|--------------------------|------|
| 4. State Benchmark Price | \$15 |
| 5. State Subsidy (L2-L4) | \$5  |



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## ***USF FUND SIZE AT ALTERNATIVE NATIONAL BENCHMARK PRICE LEVELS***

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### Summary Model Results

National Total  
(\$)(Billions)

Annual Benchmark Cost	\$59,252
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Aggregate Support	
at \$20	\$14,666
at 30	\$7,425
at 40	\$4,259

Average Monthly Cost	\$29.98
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# ***SPRINT PLAN ELIGIBILITY CRITERIA FOR RECEIVING THE FUNDING***

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- USF Funding Will be Available to Both Incumbent LECs and New Entrants
- To Qualify for USF Funding, an ETC (Eligible Telecommunications Carrier) Must:
  - Be Willing to Serve the Entire Service Area
  - Offer All of the Services that are Supported by the Fund
  - Use Their Own Facilities or a Combination of Owned Facilities and Resale of Another Carrier's Facilities
- An ETC Will Receive Support Only Where It Provides Service Either Over Its Own Facilities or Over Resold Facilities For Which It Pays Cost-Based Rates
- USF Support Should be Portable (When Subscribers Change Their Local Service Provider, the Subsidy Payment Should Then Go to the New Service Provider)



# Sprint Plan Implementation

- Implementation Steps
  - Each Incumbent LEC Would Quantify its Net Change in USF Support (i.e., USF Support Under the New Plan Less USF Support it Received Under the Existing Plan)
  - The Incremental USF Funding Would Flow Through, Dollar for Dollar, in Reductions in Embedded Subsidies; e.g.,
    - CCLC
    - Transport RIC



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## **Example**

<b>If:</b>	Subsidy based on	
	Nat'l Benchmark price,	\$100
	Existing USF	\$5
	Net Increase in USF	\$95

<b>Then:</b>	Access Subsidy Reduction	
	CCC    total CCLC Revenues = \$80	
	CCLC Revenue Reduction	\$80
	RIC    Total RIC revenues = \$20	
	RIC Revenue Reduction	\$15
	(\$95-\$80)	
	Total Access subsidy reduction	\$95



# ***SPRINT PLAN FUNDING***

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- All Providers of Telecommunications Services Will Pay Into the Fund Based on billed Revenues
  - Collected as surcharge on customer bills
- Payments Will Be Equitable and Nondiscriminatory Among Carriers
- State Funding to Be Provided by All Carriers Providing Intrastate Services

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# ***SPRINT PLAN ADMINISTRATION OF FUND***

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- A Neutral Administrator Will Be Appointed by the FCC and PUC to:
  - Annually Update the Fund
  - Collect Funding Dollars
  - Distribute Funds to Eligible Telecommunications Carriers (ETC)



# ***SPRINT PLAN FUND ADMINISTRATOR DUTIES***

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- Maintain Database by CBG Containing;
  - Households Eligible for Support
  - Support Available Per Household
  - Qualification of ETCs
  - Households Served by ETCs

